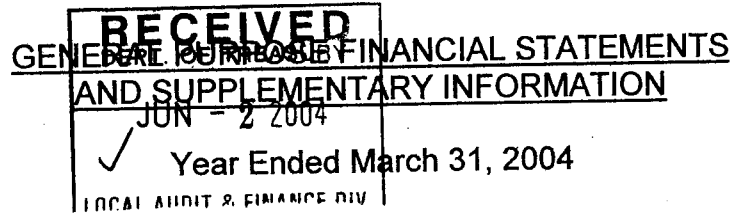


TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

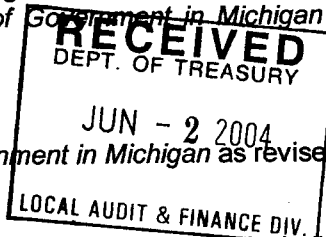


AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Mueller	County Schoolcraft
Audit Date March 31, 2004	Opinion Date May 21, 2004	Date Accountant Report Submitted to State: May 21, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

May 21, 2004

To the Township Board
Township of Mueller
Schoolcraft County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Mueller, Schoolcraft County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Mueller's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Mueller, Schoolcraft County, Michigan, as of March 31, 2004, and the results of its operations for the year ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Mueller, Schoolcraft County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	Governmental Fund Type	Fiduciary Fund Type	Account Groups	
	General	Agency	General Fixed Assets	General Long- Term Debt
<u>Assets</u>				
Cash in bank	31 029 93	3 907 77	-	-
Taxes receivable	12 060 09	-	-	-
Land and improvements	-	-	20 554 62	-
Buildings and improvements	-	-	122 030 30	-
Equipment	-	-	92 623 48	-
Amount to be provided for retirement of general long-term debt	-	-	-	5 000 00
Total Assets	<u>43 090 02</u>	<u>3 907 77</u>	<u>235 208 40</u>	<u>5 000 00</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to others	-	3 907 77	-	-
Note payable – roads	-	-	-	5 000 00
Total liabilities	-	3 907 77	-	5 000 00
Fund equity:				
Investment in general fixed assets	-	-	235 208 40	-
Fund balances:				
Unreserved:				
Undesignated	43 090 02	-	-	-
Total fund equity	<u>43 090 02</u>	<u>-</u>	<u>235 208 40</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>43 090 02</u>	<u>3 907 77</u>	<u>235 208 40</u>	<u>5 000 00</u>

The accompanying notes are an integral part of these financial statements.

Total
(Memorandum
Only)

34 937 70
12 060 09
20 554 62
122 030 30
92 623 48

5 000 00

287 206 19

3 907 77
5 000 00
8 907 77

235 208 40

43 090 02
278 298 42

287 206 19

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 1

	<u>Total (Memorandum Only) General</u>
Revenues:	
Property taxes	26 818 53
Other taxes	3 461 10
State revenue sharing	17 882 75
Charges for services – PTAF	7 376 32
Interest	178 94
Miscellaneous	<u>3 150 88</u>
Total revenues	<u>58 868 52</u>
Expenditures:	
Legislative:	
Township Board	3 750 35
General government:	
Supervisor	2 633 40
Elections	1 165 06
Clerk	2 992 95
Assessor	9 096 00
Board of Review	550 00
Treasurer	3 535 78
Building and grounds	3 806 03
Cemetery	66 92
Unallocated	4 100 06
Public safety:	
Liquor law enforcement	343 87
Fire protection	3 841 42
Public works:	
Street lighting	2 058 60
Recreation and culture:	
Parks and recreation	600 00
Other:	
Insurance	13 316 00
Pension	<u>1 847 48</u>
Total expenditures	<u>53 703 92</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	Total (Memorandum Only) <u>General</u>
Excess of revenues over expenditures	5 164 60
Fund balance, April 1	<u>37 925 42</u>
Fund Balance, March 31	<u><u>43 090 02</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C

Page 1

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	35 500 00	26 818 53	(8 681 47)
Other taxes	-	3 461 10	3 461 10
State revenue sharing	19 900 00	17 882 75	(2 017 25)
Charges for services – PTAF	-	7 376 32	7 376 32
Interest	250 00	178 94	(71 06)
Miscellaneous	3 400 00	3 150 88	(249 12)
Total revenues	59 050 00	58 868 52	(181 48)
Expenditures:			
Legislative:			
Township Board	4 000 00	3 750 35	(249 65)
General government:			
Supervisor	4 000 00	2 633 40	(1 366 60)
Elections	1 200 00	1 165 06	(34 94)
Clerk	4 000 00	2 992 95	(1 007 05)
Assessor	10 000 00	9 096 00	(904 00)
Board of Review	1 400 00	550 00	(850 00)
Treasurer	4 000 00	3 535 78	(464 22)
Building and grounds	5 500 00	3 806 03	(1 693 97)
Cemetery	500 00	66 92	(433 08)
Unallocated	8 300 00	4 100 06	(4 199 94)
Public safety:			
Liquor law enforcement	400 00	343 87	(56 13)
Fire protection	7 000 00	3 841 42	(3 158 58)
Public works:			
Highways and streets	10 000 00	-	(10 000 00)
Street lighting	2 100 00	2 058 60	(41 40)
Recreation and culture:			
Parks and recreation	700 00	600 00	(100 00)
Other:			
Insurance	16 000 00	13 316 00	(2 684 00)
Pension	4 000 00	1 847 48	(2 152 52)
Capital outlay	11 617 81	-	(11 617 81)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

EXHIBIT C

Year Ended March 31, 2004

Page 2

	<u>General Fund</u>		<u>Over (Under) Budget</u>
	<u>Budget</u>	<u>Actual</u>	
Total expenditures	<u>94 717 81</u>	<u>53 703 92</u>	<u>(41 013 89)</u>
Excess (deficiency) of revenues over expenditures	(35 667 81)	5 164 60	40 832 41
Fund balance, April 1	<u>35 667 81</u>	<u>37 925 42</u>	<u>2 257 61</u>
Fund Balance, March 31	<u>-</u>	<u>43 090 02</u>	<u>43 090 02</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Mueller, Schoolcraft County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Mueller. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Groups

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Long-Term Debt Account Group

This account group presents the general long-term debt of the local unit.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 1.1115 mills, and the taxable value was \$26,315,020.00.

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>34 937 70</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	42 797 36
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>42 797 36</u>

The Township of Mueller did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	20 554 62	-	-	20 554 62
Buildings and improvements	122 030 30	-	-	122 030 30
Equipment	<u>92 623 48</u>	<u>-</u>	<u>-</u>	<u>92 623 48</u>
Totals	<u>235 208 40</u>	<u>-</u>	<u>-</u>	<u>235 208 40</u>

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 4 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Note Payable – Roads	<u>10 000 00</u>	<u>-</u>	<u>5 000 00</u>	<u>5 000 00</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the year ended March 31, 2004, was \$1,847.48.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Mueller does not issue building permits. Building permits are issued by the County of Schoolcraft.

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 1

Township Board:	
Wages	1 507 07
Printing and publishing	113 51
Supplies	1 656 61
Miscellaneous	473 16
	<u>3 750 35</u>
Supervisor:	
Salary and supplies	<u>2 633 40</u>
Elections	<u>1 165 06</u>
Clerk:	
Salary	2 941 88
Supplies	51 07
	<u>2 992 95</u>
Assessor:	
Contracted services	<u>9 096 00</u>
Board of Review	<u>550 00</u>
Treasurer:	
Salary	3 033 84
Supplies	501 94
	<u>3 535 78</u>
Building and grounds:	
Wages – janitor	1 369 76
Operations	2 436 27
	<u>3 806 03</u>
Cemetery:	
Miscellaneous	<u>66 92</u>
Unallocated:	
Manatron	3 546 89
Payroll taxes	553 17
	<u>4 100 06</u>
Liquor law enforcement	<u>343 87</u>

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 2

Fire protection:	
Repairs and maintenance	1 524 75
Miscellaneous	<u>2 316 67</u>
	<u>3 841 42</u>
Street lighting	<u>2 058 60</u>
Parks and recreation	<u>600 00</u>
Insurance	<u>13 316 00</u>
Pension	<u>1 847 48</u>
Total Expenditures	<u><u>53 703 92</u></u>

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT E

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in Bank	<u>183 18</u>	<u>437 536 39</u>	<u>433 811 80</u>	<u>3 907 77</u>
<u>Liabilities</u>				
Due to other funds	-	22 174 45	22 174 45	-
Due to others	<u>183 18</u>	<u>415 361 94</u>	<u>411 637 35</u>	<u>3 907 77</u>
Total Liabilities	<u>183 18</u>	<u>437 536 39</u>	<u>433 811 80</u>	<u>3 907 77</u>

TOWNSHIP OF MUELLER
Schoolcraft County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2004

EXHIBIT F

Cash in bank – beginning of year	<u>183 18</u>
Receipts:	
Taxes	433 578 27
Property tax administration fees	<u>3 958 12</u>
Total receipts	<u>437 536 39</u>
Total beginning balance and cash receipts	<u>437 719 57</u>
Disbursements:	
Schoolcraft County	133 939 88
Manistique Area Schools	237 350 19
Delta Schoolcraft Intermediate School District	39 186 80
Township General Fund	22 174 45
Soil Conservation District	932 35
Refunds	<u>228 13</u>
Total disbursements	<u>433 811 80</u>
Cash in Bank – End of Year	<u><u>3 907 77</u></u>

CAMPBELL, KUSTERER & CO., P.C.

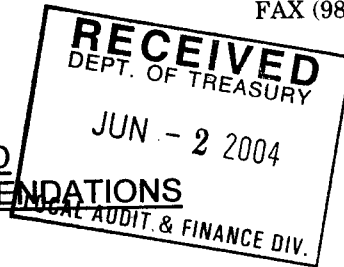
CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



May 21, 2004

To the Township Board
Township of Mueller
Schoolcraft County, Michigan

We have audited the financial statements of the Township of Mueller, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Mueller in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Mueller
Schoolcraft County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Mueller
Schoolcraft County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Mueller will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants